
PRELICENSING EDUCATION

EDUCATIONAL OBJECTIVES

California Personal Lines Broker-Agent Exam

OVERVIEW

Section 1677 of the California Insurance Code requires that the broker-agent examination be of sufficient scope to satisfy the Insurance Commissioner that an applicant has sufficient knowledge of insurance and insurance laws. What is "sufficient knowledge?" To answer this question, we must first determine what a "typical successful candidate for a broker-agent license" looks like.

For purposes of the Prelicensing Curriculum and Exam, the typical successful applicant is defined as an entry-level employee of an agency or a company. Passing the exam is the completion of an important first step of a lifetime of insurance education and experience for this person. The typical new broker-agent will be trained to sell/service the lines more commonly available, less complex lines first, the other lines later. Sufficient knowledge is what this typical new broker-agent needs to know at the start of one's career.

- (1) The most specific knowledge is required in the following areas:
 - * Insurance Code and Ethics
 - * Responsibilities and authority of an insurance agent
 - * General insurance concepts and principles
 - * Personal Automobile, Dwelling and Homeowners coverages
- (2) To a lesser degree, knowledge is required of:
 - * Personal Dwelling Fire and Liability Coverage
 - * Personal Inland Marine Covering Personal Property
 - * Personal Umbrella/Excess Liability
 - * Personal Watercraft
- (3) Required knowledge of the remaining lines/coverages:
 - * a general understanding of why these lines/coverages may be required
 - * a very general understanding of what they do.

All questions are based on "standard" policies; current editions of Insurance Services Office (ISO) policies will be used as the standard where available.

Due to the importance and the volatility of Earthquake coverage, classroom providers must keep current on the changes taking place under Section III. C1.2(a)(b).

The insurance exam does not measure sales or communications skills, self-management, motivation, knowledge of agency or company procedures or policy rating skills.

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The educational objectives are statements of what an applicant must do, under what conditions, and how well to demonstrate sufficient knowledge to pass the licensing exam. There are two types of objectives: the enabling educational objectives and the terminal educational objectives.

THE ENABLING EDUCATIONAL OBJECTIVES

The enabling educational objectives are the individual educational objectives contained on the following pages. They are derived from the curriculum outline contained in Title 10, Chapter 5, Subchapter 1, Article 6.5, Section 2187 of the California Code of Regulations (CCR). The purpose of these objectives is to:

Express clearly what an applicant must be able to do to show an acceptable level of mastery of each educational objective.

THE EXAM

Examination questions are based on the educational objectives. Mastery of the educational objectives should guarantee success on the examination.

All percentage distributions shown for sections of the Educational Objectives are plus or minus 1 percent.

For exam purposes, the Comprehensive Personal Liability supplement to the Dwelling Program will be considered to be identical to the Homeowners Section II.

THE TERMINAL EDUCATIONAL OBJECTIVE

The terminal objective is the overall objective. The terminal objective is that a successful applicant for licensing as a Personal Lines Broker-Agent will, without any aids (e.g., reference materials, calculators), meet the following requirements.

He or she will correctly answer a minimum of 70 percent of the questions on the California Department of Insurance Personal Lines Agent-Broker examination during the two hours allowed for the 90 question multiple-choice exam.

CODE AND ETHICS

The educational objectives for Code and Ethics are incorporated in the following pages. The individual objectives may be identified by "(CIC XXXX)" or "(Ethics)" or "(Code)." References to "Code" or "CIC" in the educational objectives means the California Insurance Code.

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I. GENERAL INSURANCE (35 percent - *including* II. P&L Basics)

I. A. Basic Insurance Concepts and Principles

1. Be able to identify examples of insurance (as defined [CIC 22]).
2. Be able to recognize the definition of risk.
3. Be able to differentiate between a pure risk and a speculative risk.
4. Be able to identify a definition of peril.
5. Be able to identify a definition of hazard.
6. Be able to differentiate between moral, morale, physical and legal hazards.
7. Be able to identify the definition of the law of large numbers.
8. Be able to identify a definition or the correct usage of the term loss and loss exposure.
9. Be able to recognize the requisites of an ideally insurable risk.
10. Be able to identify the definition of insurable events (CIC 250).
11. Be able to identify and apply the definition of insurable interest and indemnity, and be able to recognize the applicability of these terms to a given situation.
12. Be able to identify why private insurers underwrite the insurance applications they receive.
13. Be able to identify the meaning of adverse selection and spread of risk.
14. Be able to identify the benefits and the costs of insurance to society (e.g., loss control, loss payments, or securing credit).
15. Be able to identify a correct explanation of the role of deductibles in insurance.
16. Be able to identify:
 - (a) a definition of reinsurance (CIC 620);
 - (b) the purposes of insurers obtaining reinsurance.
17. Be able to identify that for regulatory purposes:

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- (a) the Insurance Code divides lines of insurance into classes (CIC 100); and
- (b) defines these classes (CIC 101-120).

I. GENERAL INSURANCE

I. B. Contract Law

1. Be able to identify and compare contract law and tort law.
2. Be able to identify the four major elements of a contract (agreement, competent parties, legal purpose, and consideration).
3. Be able to identify the meaning and effect of the following special characteristics of an insurance contract:
 - (a) contract of adhesion;
 - (b) conditional contract;
 - (c) aleatory;
 - (d) unilateral;
 - (e) personal;
 - (f) utmost good faith;
 - (g) indemnity;
4. Be able to identify the term insurance policy (CIC 380).
5. Be able to identify the meaning and effect of each of the following on a contract:
 - (a) fraud (CIC 338, 1871.2);
 - (b) concealment (CIC 330-339);
 - (c) warranty (expressed/implied) (CIC 440-445, 447);
 - (d) materiality (CIC 334);
 - (e) representations (CIC 350-361);
 - (f) misrepresentation (CIC 780-784);
 - (g) waiver and estoppel;
6. Be able to identify six required specifications for all insurance policies (CIC 381).
7. Be able to identify:
 - (a) the meaning of the term rescission;
 - (b) when an insurer has the right of rescission (CIC 331, 338, 359, 447).

I. GENERAL INSURANCE

I. C. The Insurance Marketplace

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I. C1. Distribution Systems

1. Be able to differentiate between the four principal marketing distribution systems (Independent/Exclusive Agencies and Direct Writing/Direct Mail System) in terms of:
 - (a) contractual and ownership relationships between the producer and the insurer;
 - (b) marketing methods.

I. GENERAL INSURANCE

I. C. The Insurance Marketplace

I. C2. Producers

1. Given a situation involving the legal relationship of an insurance agent and either a principal (insurer or agency principal) or an insured/applicant, be able to assess:
 - (a) the legal relationships;
 - (b) the responsibilities and duties of each;
 - (c) the effect of the types of authority an agent may have (express/implied/apparent).
2. With regard to the underwriting of applicants or insureds, be able to:
 - (a) identify a producer's responsibilities;
 - (b) differentiate between the limitations placed on insurer pre-selection and post-selection activities.
3. Be able to identify and compare the following:
 - (a) insurance agent (CIC 1621);
 - (b) insurance broker (CIC 1623);
 - (c) insurance solicitor (CIC 1624);
 - (d) managing general agent (CIC 769.81[c], 1735) ;
 - (e) administrator (CIC 1759);
 - (f) personal lines licensee (CIC 1625.5);
 - (g) insurance adjuster (CIC 14021);
 - (h) public insurance adjuster (CIC 15007);
 - (i) surplus line and special lines surplus line broker (CIC 1761).
4. Be able to identify the Code definition of "transact" and why the definition is important (CIC 35, 1621-1624, 1631,1633).
5. Be able to identify the Code statements regarding a broker-agent's status when appointed as an agent (CIC 1731).

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6. Be able to recognize the differences, and the reasons for the differences, between the authority of an agent and a solicitor (CIC 1621, 1624).
7. Be able to identify the purpose, duties, and authority of an agency for the following:
 - (a) applications;
 - (b) binders (CIC 382.5) (CCR 2274);
 - (c) certificates of liability insurance and evidence of property insurance;
 - (d) renewal responsibilities;
 - (e) suspense/diary system;
 - (f) lost policy release.
8. For Insurance Agent's Errors and Omissions insurance, be able to identify:
 - (a) the types of coverages available.
 - (b) the types of losses commonly covered/not covered.
 - (c) the need for the coverage.
9. Be able to identify acts prohibited (unless licensed as a surplus line broker) with regard to nonadmitted insurers (CIC 703).
10. Be able to identify the requirements and penalties in the Code with regard to insurance in connection with sales or loans (CIC 770-770.1, 771, 773-774), (CCR 2114).
11. Be able to identify the prohibitions of free insurance (CIC 777.1).

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12. Be able to identify the Code requirements for Personal Lines Broker-Agents regarding the following:
 - (a) agency name, use of name (CIC 1724.5, 1729.5);
 - (b) display of license (CIC 1725);
 - (c) records (CIC 1727-1727.5, 1730.5, 10508);
 - (d) office location (CIC 1658, 1728-1729);
 - (e) change of address (CIC 1729);
 - (f) premium finance disclosures (CIC 778.2, 778.4, 1730.6);
 - (g) filing license renewal application (CIC 1720);
 - (h) printing license number on documents (CIC 1725.5).
13. Be able to identify regulation regarding charges for extra services.
14. Be able to identify mandated procedures to follow when a broker fee is charged.
15. Be able to identify the Code specifications regarding producer application investigation, denial of applications, and suspension or revocation of license (CIC 1666, 1668-1669, 1738).
16. Be able to identify the importance and the scope of the Code regarding:
 - (a) filing a notice of appointment (CIC 1673, 1704-1705);
 - (b) an inactive license (CIC 1704[a]).
17. Be able to identify the scope and effect of the Code regarding termination of a (producer) license including when producers dissolve a partnership (CIC 1708-1714).
18. Be able to identify:
 - (a) the definition of the term "fiduciary";
 - (b) producer fiduciary duties described in the Code (CIC 1733-1735.5).
19. Be able to identify the continuing education requirements for Personal Lines Broker-Agents (CIC 1749.31).

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The following Educational Objective is derived from the codes of ethics of major industry organizations and is the basis for test questions.

20. Be able to identify and apply the meaning of the following:
- (a) place the customer's interest first;
 - (b) know your job and continue to increase your level of competence;
 - (c) identify the customer's needs and recommend products and services that meet those needs;
 - (d) accurately and truthfully represent products and services;
 - (e) use simple language; talk the layman's language when possible;
 - (f) stay in touch with customers and conduct periodic coverage reviews;
 - (g) protect your confidential relationship with your client;
 - (h) keep informed of and obey all insurance laws and regulations;
 - (i) provide exemplary service to your clients;
 - (j) avoid unfair or inaccurate remarks about the competition.
21. Be able to identify that the California Insurance Code and the California Code of Regulations identify many unethical or illegal practices but they are not a complete guide to ethical behavior (Ethics).
22. Be able to identify the personal lines requirement for providing the effective date of coverage to insureds /applicants(CIC 1730.5).

I. GENERAL INSURANCE

I. C. The Insurance Marketplace

I. C3. Insurers

1. Be able to differentiate between:
- (a) admitted and nonadmitted insurers (CIC 24-25);
 - (b) domestic, foreign or alien insurers (CIC 26-27, 1580).
2. Be able to identify the functions of the following major operating divisions of insurers: Marketing /Sales, Underwriting, Claims, Actuarial.
3. Be able to identify who may be an insurer (CIC 150).
4. Be able to identify the Code definition of insolvency (CIC 985).
5. Be able to identify the differences and similarities of types of insurers (Stock/Mutual/Lloyd's/Reciprocal/Risk Retention Groups).

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I. GENERAL INSURANCE

I. C. The Insurance Marketplace

I. C4. Market Regulation - General

1. Be able to identify the purpose of insurance regulation and the significance of Paul vs. Virginia (1869), SEUA case (1944), and the McCarren-Ferguson Act (a.k.a. Public Law 15 [1945]).
2. Be able to identify:
 - (a) the California Insurance Code (CIC) and how it may be changed (Code);
 - (b) the California Code of Regulations (CCR Title 10, Chapter 5) and how it may be changed (Code);
 - (c) how the Insurance Commissioner is selected and the responsibilities of the position (CIC 12900, 12921).
3. Be able to identify the correct application of the Unfair Practices article, including its prohibitions and penalties (CIC 790-790.10).
4. Be able to identify the correct application of the Insurance Information and Privacy Protection Act regarding practices, prohibitions and penalties (CIC 791-791.26).
5. Be able to identify the scope and correct application of the conservation proceedings described in the Code (CIC 1011, 1013, 1016).
6. Be able to identify the purpose and scope of the Code with regard to:
 - (a) the California Insurance Guarantee Association.(CIC 1063 [a-c], 1063.1 [a],[b],[c](1),(2)).
7. Be able to identify:
 - (a) common circumstances that suggest the possibility of fraud;
 - (b) efforts to combat fraud (CIC 1872, 1874.6, 1875.8, 1875.14,1875.20, 1877.3[b](1)).
8. Be able to identify the scope and correct application of the False and Fraudulent Claims article of the California Insurance Code (CIC 1871, 1871.1-1871.4, 1872.5).
9. Be able to identify discriminatory Fire and Casualty practices prohibited by the California Insurance Code (CIC 679.70-679.73, 10140-10145).

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10. Be able to identify the requirements for rates to be approved or remain in effect (CIC 1861.05[a]).
11. Be able to identify:
 - (a) the types of rating laws (prior approval, file and use, use and file, open competition);
 - (b) the system used by the State of California to regulate rates for most property and casualty insurance written in California (prior approval) (CIC 1861.05[c]).
12. As used by the Code, be able to identify the meaning of:
 - (a) "shall" and "may" (CIC 16);
 - (b) "person" (CIC 19).
13. Be able to identify the requirements for notice by mail (CIC 38).

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I. GENERAL INSURANCE

I. C. The Insurance Marketplace

I. C5. Excess and Surplus (E&S) Line

1. With regard to surplus line, be able to identify:
 - (a) what the term "surplus line" means;
 - (b) the marketplace needs met by surplus line;
 - (c) the requirements to be met before a risk may be placed with a surplus line insurer;
 - (d) how surplus line and special lines surplus line brokers interact with agents;
 - (e) the absence of binding authority for surplus line brokers when placing business through excess and surplus line brokers (CIC 1764.2);
 - (f) the non-standard nature of the coverages provided;
 - (g) conditions that must be met before business may be obtained from these carriers (CIC 1761);
 - (h) what the List of Eligible Surplus Lines Insurers (LESLI) is.

II. PROPERTY AND LIABILITY BASICS

II. A. Basic Legal Concepts - Tort Law

1. Be able to identify the types of wrongs that are dealt with by tort law (e.g., intentional torts, negligence, absolute liability, or strict liability).
2. Be able to recognize and identify:
 - (a) the four essential elements of negligence (duty, breach, injury, unbroken chain) and whether all four elements are present in a described situation;
 - (b) the principle of "proximate cause";
 - (c) legal defenses against "negligence".
3. Be able to identify:
 - (a) the reasons for the absolute and strict liability doctrines and recognize situations in which they would apply;
 - (b) examples of intentional torts. (e.g., libel, slander, or false arrest).
4. Be able to identify definitions of gross negligence and vicarious liability.
5. Be able to identify types of damages: punitive and compensatory, which includes special and general damages.
6. Be able to recognize the difference between "comparative" and "contributory" negligence doctrines.

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7. Be able to compute a loss payment applying the doctrines of:
 - (a) comparative negligence;
 - (b) contributory negligence.
8. Be able to apply the assumption of the risk doctrine.
9. Be able to identify:
 - (a) the ways a pure no-fault law would modify a tort liability system;
 - (b) the major differences between "pure no-fault" and "modified no-fault" laws.

II. PROPERTY AND LIABILITY BASICS

II. B. Property and Liability Basics

1. Be able to identify the major services provided by the following independent rating organizations:
 - (a) Insurance Services Office (ISO);
 - (b) California Workers Compensation Inspection Rating Bureau (CIC 11750.3).
2. Be able to recognize the principal risk management methods used to identify loss exposures, and the advantages and disadvantages of each method.
3. Be able to identify the difference between direct and indirect (consequential) property losses.
4. Be able to recognize common indirect loss exposures.
5. Be able to identify the methods commonly used by risk managers to deal with risk.
6. Be able to identify the terms of expense, loss, and combined ratios.

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7. Be able to identify the following terms:
 - (a) “all-risk” (an old term still commonly used and understood within the insurance industry, but a term often misunderstood by the general public);
 - (b) “open peril” / “special form” (terms commonly used in place of “all-risk” in today’s policies);
 - (c) “named peril”;
 - (d) “concurrent causation.”
8. Be able to identify the terms and differentiate between:
 - (a) short rate / flat rate / pro-rata cancellation;
 - (b) cancellation / non-renewal / lapse;
 - (c) unearned / earned premium and be able to identify their correct computation.
9. Be able to differentiate between the terms “judgment rating,” “merit rating,” and “manual rating.”
10. Be able to identify and apply the meaning of claims terms (e.g., first party, third party, subrogation, arbitration, etc.).
11. Be able to identify the definition of the term “loss reserve.”
12. Be able to identify the requirements to be met to assign a policy from one insured to another.
13. Be able to differentiate between property and liability insurance coverages.
14. Be able to identify a definition of “loss cost rating” and the reason for its use.
15. Be able to identify:
 - (a) the requirement for an insurable interest to exist (CIC 280);
 - (b) when insurable interest is required to exist under property insurance policies (CIC 286);
 - (c) that contingent or expectant interests are not insurable (CIC 283).

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II. PROPERTY AND LIABILITY BASICS

II. C. Property and Liability Policies - General

1. Be able to identify a description of:
 - (a) the major components of insurance policies (e.g., declarations, insuring agreements, definitions, conditions, exclusions, endorsements, etc.).
 - (b) common policy provisions (e.g., insured's right to cancel, assignment of policy, supplementary payments, severability, liberalization, etc.) and coverages (removal and debris removal).
2. Be able to identify and compute loss payments for:
 - (a) the different types of valuation commonly used in insurance policies. (actual cash value, replacement cost, market value, agreed value, stated value);
 - (b) a valued policy (CIC 412, 2053, 2054).
3. Be able to identify the protection of a mortgagee's interest contained in most mortgage clauses.
4. Be able to identify the definition and effect of a concurrent vs. non-concurrent policy.
5. Be able to identify the Code requirements pertaining to policy cancellation / failure to renew (CIC 481.5, 660-669.5, 673, 675-679.6, 676, 676.2, 676.8, 677, 677.2, 678, 678.1, 676.9, 679.5, 679.6).
6. Be able to identify restrictions regarding referral of auto insureds to repair facilities (CIC 753).

III. PERSONAL LINES INSURANCE (65 percent)

III. A. Dwelling Insurance

III. A1. Dwelling Insurance - General Concepts

1. Be able to identify what the "standard fire policy" is, perils insured, and its importance to modern personal and commercial property contracts (CIC 2070).

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2. Be able to identify:
 - (a) the major coverage differences in the Dwelling and Homeowners programs;
 - (b) why a dwelling might be insured under a Dwelling Policy rather than a Homeowners (HO) Policy.
3. Be able to identify which applicants are eligible for each of the Homeowners products (HO- 2, 3, 4, 5, and 6).
4. Be able to match the HO products (HO-2, 3, 4, 5 and 6) with consumer's needs.
5. Be able to identify the major similarities and differences between an HO-2, HO-3, and HO-5.
6. Be able to identify the major similarities and differences of an HO-4, HO-2, and HO-6.

III. PERSONAL LINES INSURANCE

III. A. Dwelling Insurance

III. A2. Dwelling Fire /Homeowners Section I

1. For the Dwelling Program, be able to identify the major differences between the three forms (Basic, Broad and Special) in terms of:
 - (a) the coverages included;
 - (b) perils insured.

The remainder of **III.A2.** is an analysis of the ISO HO-3 contract.

2. Be able to identify who is or is not an "insured" as defined in Homeowners Section I.
3. Be able to identify for coverages A, B and C of this section (Dwelling, Other Structures, Personal Property):
 - (a) the kinds of property insured;
 - (b) the valuation basis used for the property;
 - (c) the kinds of property excluded;
 - (d) the kinds of property with special sub-limits - and for which perils;
 - (e) the perils insured against and/or the perils excluded.
 - (f) how coverage applies to a described loss.
4. Be able to identify the extent Coverage D (Loss of Use) applies to a described loss.
5. Be able to identify the HO Property Coverages - Additional Coverages.

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6. Be able to identify the effect of the exclusions: Earth Movement and Flood (including the coverage provided for ensuing losses).
7. Be able to identify the insured's duties after a loss (Section I - Conditions).
8. Given sufficient information about an HO property loss being adjusted under the Section I Condition - Loss Settlement, be able to compute:
 - (a) the amount of coverage required to receive full replacement cost coverage;
 - (b) the amount that would be paid (at least 80 percent or less than 80 percent of replacement cost).
9. Given an example, be able to recognize the applicability of the Ordinance or Law exclusion and its relationship to California requirements.
10. Be able to identify:
 - (a) the requirements and definitions of the California Residential Property Insurance Disclosure statement (CIC 10101, 10102);
 - (b) that the form contains only a general description of coverages and is NOT part of the residential policy (CIC 10102);
 - (c) replacement cost and building code upgrade options.

III. PERSONAL LINES INSURANCE

III. A. Dwelling Insurance

III. A3. Homeowners Section II/Comprehensive Personal Liability

1. Be able to identify the two major coverages provided in this section.
2. Be able to identify common liability loss exposures covered or excluded.
3. Be able to identify how Section II (Additional Coverages) affect loss payments (Insurer Claim Expenses, First Aid Expenses, Loss Assessment and Damage to Property of Others).
4. For a described loss, be able to identify who would be covered under Medical Payments to Others.
5. Be able to identify the vehicles commonly insured/ not insured by the basic policy.
6. Be able to identify properties included in:

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- (a) Insured Locations;
- (b) Residence Premises.

III. PERSONAL LINES INSURANCE

III. A. Dwelling Insurance

III. A4. Selected Homeowners Endorsements

1. Be able to identify the effect of attaching the Mobilehome Endorsement to a Homeowners Policy.
2. Be able to identify the major effects of the following:
 - (a) Workers' Compensation - Residence Employees (CA) endorsement - (not optional statutory benefits provided under CA law);
 - (b) Other Structures - Increased Limits endorsement;
 - (c) Scheduled Personal Property endorsement (also see III.B2.2);
 - (d) Inflation Guard endorsement;
 - (e) Personal Property - Replacement Cost endorsement;
 - (f) Personal Injury endorsement;
 - (g) Guaranteed and Extended Replacement Cost Options;
 - (h) Additional Residence Rented to Others;
 - (i) Ordinance or Law Coverage;
 - (j) Home business coverage endorsements as compared to commercial policies.

III. PERSONAL LINES INSURANCE

III. B. Inland Marine

III. B1. Inland Marine - General Concepts

1. Be able to recognize why some lines are filed, some non-filed and what the advantages and disadvantages of this difference are.

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2. For Inland Marine policies be able to identify:
 - (a) that most are written on an open-peril basis;
 - (b) the principal types of exclusions;
 - (c) the special valuation provisions.
3. Be able to identify why mobility is a common characteristic of many types of property insured under Inland Marine contracts.

III. PERSONAL LINES INSURANCE

III. B. Inland Marine

III. B2. Inland Marine - Personal Insurance

1. Be able to compare the Personal Articles Floater (PAF) and the Homeowners "Scheduled Personal Property Endorsement."
2. With regard to the Scheduled Personal Property endorsement:
 - (a) be able to identify the uninsured loss exposures that might cause an HO-3 homeowners insured to add this endorsement;
 - (b) be able to identify what effect insuring property under this endorsement has on coverage C of a Homeowners policy;
 - (c) be able to identify the restrictions on "insured locations" and "insured perils" in property policies.
3. Be able to identify the limited coverage that is available in the Watercraft endorsement under the Homeowners Program.

III. PERSONAL LINES INSURANCE

III. B. Inland Marine

III. B3. Personal Watercraft - Personal Insurance

1. Be able to identify why a boat owner, insured under a Homeowners Policy, might still need Boatowners type coverages.
2. Be able to identify the typical coverages provided (e.g., liability, medical payments and physical damage coverage, etc.).
3. Be able to identify the coverage normally afforded by the yacht policy (e.g., hull, boat trailers, protection and indemnity [P&I]).

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California Personal Lines Broker-Agent Exam

4. Be able to identify the coverage provided by P&I that are not provided by other boat liability coverages.

III. PERSONAL LINES INSURANCE

III. C. Government / Pools / Catastrophe - Property Insurance

III. C1. Earthquake coverage

1. Be able to identify the major personal insurance policy coverage that insures against losses caused by earth movement (e.g., Personal Auto: other-than collision or comprehensive coverage).
2. Be able to identify correct statements about:
 - (a) requirements for insurers to offer earth movement coverage (CIC 10081, 10084);
 - (b) state or federal facilities such as the California Earthquake Authority (CEA) that provide coverage for this peril to major segments of the dwelling market (CIC 10089.6, 10089.26, 10089.28).
3. Be able to identify the advantages /disadvantages (if any) of:
 - (a) obtaining this coverage by a separate policy vs. endorsement to property policy;
 - (b) single limit of coverage vs. multiple limits (e.g. Homeowners policy);
 - (c) earthquake type deductible vs. commonly used property deductibles;
 - (d) reduced coverage policies.

III. PERSONAL LINES INSURANCE

III. C. Government / Pools / Catastrophe - Property Insurance

III. C2. California Fair Access to Insurance Requirements (FAIR) Plan

1. Be able to identify the marketplace needs met by the California FAIR plan (CIC 10090, 10091).
2. Be able to identify the two different types of areas served by the California FAIR plan.
3. Be able to identify which of a described group of applicants would be eligible for coverage under the plan.

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4. Be able to identify who is eligible to submit applications to the FAIR Plan and the extent of their binding authority (CIC 10093[a]) (also FAIR Plan rules).
5. Be able to identify the meaning of “basic property insurance” as defined in the Code (CIC 10091[c]).

III. PERSONAL LINES INSURANCE

III. C. Government / Pools / Catastrophe - Property Insurance

III. C3. National Flood Insurance

1. Be able to identify the major personal insurance policy coverage that insures against losses caused by flood (e.g., Personal Auto: other-than collision or comprehensive coverage).
2. For the National Flood Program, be able to identify the following:
 - (a) the types of properties eligible for coverage under the program (applies to both personal and commercial property);
 - (b) the principal coverage provided by the contract.;
 - (c) risks eligible for the program, differentiating between the emergency program and the regular program;
 - (d) who may place business with the program (any licensed Personal Lines Broker-Agent);
 - (e) an agent’s binding authority;
 - (f) that program dollar limits for coverages are specified.

III. PERSONAL LINES INSURANCE

III. D. Personal Auto

III. D1. Personal Auto - General

1. Be able to identify the financial responsibility law requirements (California Vehicle Code [CVC] 16020, 16021, 16025, 16451).

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2. Be able to identify:
 - (a) the ISO eligibility requirements for a Personal Auto Policy (PAP);
 - (b) who is an insured;
 - (c) the policy territorial limits;
 - (d) the difference between "share-the-expense car pools" and "for-hire" situations;
 - (e) the coverage that applies to newly acquired auto and "your covered auto";
 - (f) the coverage that applies to a non-owned private passenger auto rented by an insured while on a short vacation.
3. Be able to identify situations in which the policy provides:
 - (a) primary coverage;
 - (b) excess coverage.
4. Be able to identify:
 - (a) the eligibility requirements to receive a Good Driver Discount (CIC 1861.025);
 - (b) the discount percentage of the Good Driver Discount (CIC 1861.02);
 - (c) the three principal rating factors for personal auto policies (CIC 1861.02[a]).
5. Be able to identify:
 - (a) the permitted reasons for an insurer to cancel or non-renew an automobile policy (CIC 1861.03[c](1), 661);
 - (b) the number of days of notice required (CIC 662, 663).

III. PERSONAL LINES INSURANCE

III. D. Personal Auto

III. D2. Personal Auto - Liability / Medical / Uninsured Motorist

1. Be able to identify how the policy limits are applied in a PAP to coverages A, B and C (Liability, Medical, Uninsured Motorist), in a given loss situation.

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2. For a described loss applying to Part A - Liability, be able to determine the effect of:
 - (a) supplementary payments;
 - (b) "out of state coverage" (including "financial responsibility" and "no-fault" compliance);
 - (c) split limits vs. single limits coverage;
 - (d) "other insurance";
 - (e) the principle coverage / limitations / exclusions applying to bodily injury and property damage liability.
3. For a described loss applying to Part B - Medical Payments, be able to determine the amount of coverage for each insured.
4. Be able to identify:
 - (a) who is defined as an uninsured motorist;
 - (b) the Underinsured Motorists coverage part of the Uninsured Motorist coverage (CIC 11580.2[p](2),(7));
 - (c) Uninsured Motorist Property Damage;
 - (d) collision deductible waivers.
5. Be able to identify excess automobile liability exposure coverage.
6. Under California law be able to identify:
 - (a) the policy limits required to comply with the Financial Responsibility Law (CIC 11580.1[b](1)) (CVC 16056).
 - (a) the requirement for offering Uninsured Motorists coverage in policies providing bodily injury liability - and how an insured may reject the coverage (CIC 11580.2[a](1)).

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III. PERSONAL LINES INSURANCE

III. D. Personal Auto

III. D3. Personal Auto - Physical Damage / Miscellaneous

1. In a described loss, be able to identify:
 - (a) if the loss is covered and for how much after applying any deductibles;
 - (b) the standard basis of valuation for the automobile;
 - (c) an insurer's options in making a loss settlement with the insured;
 - (d) under what circumstances transportation expenses are reimbursed;
 - (e) the coverage for personal effects;
 - (f) the relationship between other-than-collision (OTC) coverage and comprehensive coverage (ISO uses newer "OTC"; many insurers still use "comprehensive");
 - (g) under what conditions waiver of collision deductible and uninsured motorist property damage must be offered and the coverage provided by each;
 - (h) insured's duties after a loss.
2. Be able to identify the purpose of the following:
 - (a) Miscellaneous Type Vehicle Endorsement;
 - (b) Named Non-owner policy;
 - (c) Extended Non-owned Liability Coverage;
 - (d) Additional Transportation Expenses Coverage;
 - (e) Coverage for Sound Receiving and Transmitting Equipment;
 - (f) Coverage for Audio, Visual and Data Electronic Equipment and Tapes, Records, Discs and Other Media;
 - (g) Mexico Coverage Endorsement;
 - (h) Towing and Labor Coverage.
3. Be able to explain GAP coverage.
4. Be able to identify non-standard physical damage.

III. PERSONAL LINES INSURANCE

III. D. Personal Auto

III. D.4. California Automobile Assigned Risk Plan (CAARP)

1. Be able to identify the purpose of CAARP.

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California Personal Lines Broker-Agent Exam

2. Be able to identify:
- (a) who is eligible to place business with CAARP;
 - (b) the eligibility requirements for applicants;
 - (c) how business is placed through CAARP;
 - (d) the coverages and limits available / required;
 - (e) whether coverage may be bound;
 - (f) whether commercial risks are also eligible for "assigned risk" coverage.

III. PERSONAL LINES INSURANCE

III. D. Personal Auto

III. D.5. Motorcycles

III. PERSONAL LINES INSURANCE

III. D. Personal Auto

III. D.6. Recreational Vehicles

III. PERSONAL LINES INSURANCE

III. D. Personal Auto

III. D.7. GAP Coverage

III. PERSONAL LINES INSURANCE

III. E. Umbrellas and Excess Liability Insurance

1. Be able to identify:
- (a) the major function of these policies;
 - (b) the absence of standard policies;
 - (c) the difference between umbrella and excess policies.
2. Be able to identify:
- (a) underlying policies that are commonly required by the umbrella insurer to be maintained;
 - (b) what a self-insured retention is and how it is applied to a loss.

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III. PERSONAL LINES INSURANCE

III. F. Low-Cost Automobile Insurance

1. Be able to identify:
 - (a) low-cost automobile insurance;
 - (b) the costs for this insurance;
 - (c) eligibility to purchase low-cost automobile insurance;
 - (d) the cancellation and renewal procedures for low-cost automobile insurance;
 - (e) the coverages and limits available.

III. PERSONAL LINES INSURANCE

III. G. New Developments - Personal Lines

1. Legal
2. Legislative
3. Insurance Products and Practices

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